Top 10 dot-com flops

By Kent German

The most astounding thing about the dot-com boom was the obscene amount of money spent. Zealous venture capitalists fell over themselves to invest millions in start-ups; dot-coms blew millions on spectacular marketing campaigns; new college graduates became instant millionaires and rushed out to spend it; and companies with unproven business models executed massive IPOs with sky-high stock prices. We all know what eventually happened. Most of hese start-ups died dramatic deaths. These are the celebrity victims of the new-economy bust.

A core lesson from the dot-com boom is that even if you have a good idea, it's best not to grow too fast too soon. But online grocer Webvan was the poster child for doing just that, making the celebrated company our number one dot-com flop. In a mere 18 months, it raised $375 million in an IPO, expanded from the San Francisco Bay Area to eight U.S. cities, and built a gigantic infrastructure from the ground up (including a *$1 billion* order for a group of high-tech warehouses). Webvan came to be worth $1.2 billion (or $30 per share at its peak), and it touted a 26-city expansion plan. But considering that the grocery business has razor-thin margins to begin with, it was never able to attract enough customers to justify its spending spree. The company closed in July 2001, putting 2,000 out of work and leaving San Francisco's new ballpark with a Webvan cup holder at every seat.

2 Pets.com (1998-2000)

Another important dot-com lesson was that advertising, no matter how clever, cannot save you. Take online pet-supply store Pets.com. Its talking sock puppet mascot became so popular that it appeared in a multimillion-dollar Super Bowl commercial and as a balloon in the Macy's Thanksgiving Day Parade. But as cute--or possibly annoying--as the sock puppet was, Pets.com was never able to give pet owners a compelling reason to buy supplies online. After they ordered kitty litter, a customer had to wait a few days to actually get it. And let's face it, when you need kitty litter, you *need* kitty litter. Moreover, because the company had to undercharge for shipping costs to attract customers, it actually lost money on most of the items it sold. Amazon.com-backed Pets.com raised $82.5 million in an IPO in February 2000 before collapsing nine months later.

3 Kozmo.com (1998-2001)

The shining example of a good idea gone bad, online store and delivery service Kozmo.com made it on our list of the top 10 tech we miss. For urbanites, Kozmo.com was cool and convenient. You could order a wide variety of products, from movies to snack food, and get them delivered to your door for free within an hour. It was the perfect antidote to a rainy night, but Kozmo learned too late that its primary attraction of free delivery was also its undoing. After expanding to seven cities, it was clear that it cost too much to deliver a DVD and a pack of gum. Kozmo eventually initiated a $10 minimum charge, but that didn't stop it from closing in March 2001 and laying off 1,100 employees. Though it never had an IPO (one was planned), Kozmo raised about $280 million and even secured a $150 million promotion deal with Starbucks.

4 Flooz.com (1998-2001)

For every good dot-com idea, there are a handful of really terrible ideas. Flooz.com was a perfect example of a "what the heck were they thinking?" business. Pushed by *Jumping Jack Flash* star and perennial *Hollywood Squares* center square Whoopi Goldberg, Flooz was meant to be online currency that would serve as an alternative to credit cards. After buying a certain amount of Flooz, you could then use it at a number of retail partners. While the concept is similar to a merchant's gift card, at least gift cards are tangible items that are backed by the merchant and not a third party. It boggles the mind why anyone would rather use an "online currency" than an actual credit card, but that didn't stop Flooz from raising a staggering $35 million from investors and signing up retail giants such as Tower Records, Barnes & Noble, and Restoration Hardware. Flooz went bankrupt in August 2001 along with its competitor Beenz.com.

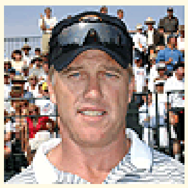
5 eToys.com (1997-2001)

eToys is now back in business, yet its original incarnation is another classic boom-to-bust story. The company raised $166 million in a May 1999 IPO, but in the course of 16 months, its stock went from a high of $84 per share in October 1999 to a low of just 9 cents per share in February 2001. Much like Pets.com, eToys spent millions on advertising, marketing, and technology and battled a host of competitors. And like many of its failed brethren, all that spending outweighed the company's income, and investors quickly jumped ship. eToys closed in March 2001, but after being owned for a period by KayBee Toys, it's now back for a second run.

6 Boo.com (1998-2000)

Though Boo.com is another flop that has been given new life by Fashionmall.com, its original incarnation proved that dot-com flops were not restricted to U.S. shores. Founded in the United Kingdom as an online fashion store, Boo.com was beset with problems and mismanagement from the start. Its complicated Web site, which relied heavily on JavaScript and Flash, was very slow to load at a time when dial-up Internet usage was the norm. Boo spent wads of cash to market itself as a global company but then had to deal with different languages, pricing, and tax structures in all the countries it served. The company also mysteriously decided to pay postage on returns, but even more importantly, sales never reached expectations. Boo.com eventually burned through $160 million before liquidation in May 2000.

7 MVP.com (1999-2000)



Like Planet Hollywood and Flooz.com, MVP.com proved that celebrity endorsements are worth nothing in the long run. Backed by sports greats John Elway, Michael Jordan, and Wayne Gretzky and $65 million, MVP sold sporting goods online. Founded in 1999, the company grew to more than 150 employees, but a high-profile partnership came to be a liability. A few months after its launch, MVP.com entered into an $85 million, four-year agreement with CBS in which the network would provide advertising in exchange for an equity stake in the e-tailer. Yet barely a year later, CBS and its online affiliate SportsLine.com killed the agreement because MVP.com failed to pay the network an agreed-upon $10 million per year. The game was over for MVP.com soon afterward, and SportsLine took over the domain.

8 Go.com (1998-2001)

The Walt Disney Company felt the sting of the dot-com bust with its portal Go.com. Started in 1998, Go.com was a combination of Disney's online properties and Infoseek, in which the Mouse had previously acquired a controlling interest. Though it was meant to be a "destination site" much like Yahoo, Go.com had its own little quirks, such as content restrictions against adult material. Disney was never able to make Go.com popular enough to validate the millions spent on promotion. In January 2001, Go.com was shut down, and Disney took a write-off of $790 million. Go.com still exists, but it carries only feeds from other Disney Web properties.

9 Kibu.com (1999-2000)

Unlike the other flops listed here, Kibu.com, an online community for teenage girls, didn't wait till the very end to wave the white flag. In fact, at the time of its October 2000 closing, the company had not run out of the $22 million it raised. And on a more bizarre note, the end came only 46 days after a flashy San Francisco launch party. Though Kibu had started to attract traffic from its target demographic (incidentally one of the fastest-growing segments of Web users), company officials said they decided to shut down because "Kibu's timing in financial markets could not have been worse." Kibu was backed by several Silicon Valley bigwigs, and they sent a strong message about the financial prospects of other dot-coms by bailing on Kibu so soon.

10 GovWorks.com (1999-2000)

Last but certainly not least, the story of GovWorks.com was good enough to become the documentary Startup.com, which chronicles its brief life. Envisioned as a Web site for citizens to do business with municipal government, GovWorks was started by two childhood friends in 1999. One was the flashy salesman, while the other had the technical know-how. At first, the future seemed bright as they suddenly found themselves worth millions of dollars each and rubbing elbows with the politically powerful. But you can guess what happened--everything that could go wrong soon did. Personalities and egos clashed during long work hours, one partner was ousted, technology was stolen, and they never got the software to work as it should have. A competitor eventually took over GovWorks in 2000.

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